

IN THE UNITED STATES DISTRICT COURT  
FOR THE WESTERN DISTRICT OF WASHINGTON  
AT SEATTLE

FEDERATED LIFE INSURANCE  
COMPANY,

Interpleader-Plaintiff,

v.

DAMON JOANIS; and ELIZABETH PABEL,  
as Personal Representative for the Estate of  
Elenya Herring,

Defendants.

Case No. C23-1726RSM

ORDER GRANTING IN PART AND  
DENYING IN PART PLAINTIFF'S  
MOTION FOR JUDGMENT IN  
INTERPLEADER

## I. INTRODUCTION

This matter involves a dispute over the payment of life insurance proceeds. It comes before the Court on Plaintiff Federated Life Insurance Company ("Federated")'s Motion for Judgment in Interpleader. Dkt. #28. Elizabeth Paben, as Personal Representative of the Estate of Elenya Herring ("the Estate"), and Damon Joanis (collectively "Defendants") oppose the Motion. Dkts. #31 and #34. The Court has determined that it can rule on the Motion without the need for oral argument. For the reasons stated below, the Court GRANTS IN PART and DENIES IN PART Federated's Motion.

## II. BACKGROUND

Defendant Damon Joanis and insured Derik Herring were business partners in a venture called Joanis Mechanical LLC. Dkt. #28 at 2. In September of 2020, Mr. Herring

1 applied for life insurance, listing him as the insured, policy owner, and payor. *See* Dkt. #6-1  
2 at 19-26. Mr. Joanis was named as the policy beneficiary. *Id.* at 21. In addition, the  
3 application included the tax identification number (“TIN”) for Joanis Mechanical LLC as the  
4 employer owner or payor. *Id.* at 19. Prior to policy delivery, Mr. Herring requested the  
5 policy ownership be changed from himself to Mr. Joanis. Dkt. #28 at 2. Federated issued  
6 and delivered a Flexible Premium Adjustable Life Insurance Policy (#341924) (“the policy”)  
7 on the life of Derik Herring, with an effective date of November 19, 2020. *See* Dkt. #6-1.  
8 The policy provided \$1,000,000 in the event of Mr. Herring’s death. *Id.* at 4. The policy  
9 owner was listed as Damon Jay Joanis, Relationship: Co-Member. *Id.* All premiums  
10 received on the policy were paid out of a business account owned by Joanis Mechanical  
11 LLC. Dkt. #19, ¶ 3.13.

12 Mr. Herring passed away on October 15, 2022. Dkt. #6 at 4. Consequently, his  
13 surviving spouse, Elenya Herring, was appointed the personal representative of Mr. Herring’s  
14 Estate. Dkt. #28 at 2. On January 24, 2023, Mr. Joanis submitted a claim form to Federated,  
15 seeking the proceeds under the policy as the named beneficiary. Dkt. #28 at 4. However, the  
16 policy provided that, if Mr. Herring died within two years of the effective date, Federated had  
17 the right to conduct a Contestability Review. *See* Dkt. #6-1 at 10. Despite information and  
18 documents obtained during said Contestability Review causing concern regarding the  
19 truthfulness of some of Mr. Herring’s statements in his application, ultimately there was not  
20 enough evidence to demonstrate his statements were not substantially true, and Federated  
21 agreed to pay the proceeds owed under the policy, plus interest. Dkt. #26 at 2.

22 Nevertheless, on April 23, 2023, while the Contestability Review was still under way,  
23 Federated received a competing claim from Mr. Herring’s wife, Elenya Herring, which,  
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1 through her legal counsel, stated that “some or all of [the] policy’s death benefit may be  
2 owed to [Ms. Herring] as the surviving spouse of [Mr. Herring], rather than to [Mr. Joanis].”  
3 Dkt. #26-1. One of the arguments her counsel posited was that Mr. Herring was the payor  
4 under the policy, and if the associated premiums were paid from community funds, then the  
5 policy belonged to the Herrings’ marital community. *Id.* Her counsel further asserted that  
6 Mr. Herring failed to designate Ms. Herring as a beneficiary, and that he did not get her  
7 consent before procuring the policy. *Id.* After that, on May 1, 2023, Ms. Herring’s counsel  
8 threatened to sue Federated if it moved forward with disbursing the policy benefits to Mr.  
9 Joanis, citing Washington legal authority, specifically the Trust and Estates Dispute  
10 Resolution Act (“TEDRA”).  
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14 Due to the threat of litigation that these competing claims represented, Federated filed  
15 its First Amended Complaint (“the complaint”) for Interpleader on December 11, 2023,  
16 requesting to deposit the policy proceeds with the Court’s registry and to be dismissed with  
17 prejudice from this action. Dkt. #1 at 6. On March 20, 2024, Mr. Joanis answered the  
18 complaint and asserted counterclaims for declaratory judgment, estoppel, breach of contract,  
19 violation of Federated’s duty of good faith, negligent claims handling, violation of the  
20 Consumer Protection Act (“CPA”), RCW 19.86.090, and violation of the Insurance Fair  
21 Conduct Act (“IFCA”), RCW 48.30.015. *See* Dkt. #19 at 16-20. Later, on June 10, 2024,  
22 Elizabeth Paben, as personal representative for the Estate of Elenya Herring, also answered  
23 the complaint and asserted counterclaims for declaratory judgment, breach of contract,  
24 violation of Federated’s duty of good faith, negligent claims handling, and violation of the  
25 CPA, RCW 19.86.090. *See* Dkt. #30 at 11-14.  
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1 Federated now seeks to deposit the policy proceeds into the Court's registry and asks  
2 the Court to dismiss the counterclaims against it with prejudice. Dkt. #28 at 9. Defendants  
3 oppose Federated's Motion. Dkts. #31 and #34. The Court now considers the Motion.  
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### 5 III. ANALYSIS

#### 6 a. Legal Standard

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8 An interpleader action is a "pragmatic" remedy designed to allow a stakeholder to  
9 shield itself from "the vexation and expense of resisting adverse claims." *Michelman v.*  
10 *Lincoln Nat. Life Ins. Co.*, 685 F.3d 887, 894 (9th Cir. 2012) (quoting *N.Y. Life Ins. Co. v.*  
11 *Welch*, 297 F.2d 787, 790 (D.C. Cir. 1961)). In a typical interpleader action, the stakeholder  
12 of a sum of money sues all those who might have a claim to the money, deposits the money  
13 in the Court's registry, and lets the claimants determine who is entitled to the money. *Cripps*  
14 *v. Life Ins. Co. of N. Am.*, 980 F.2d 1261, 1265 (9th Cir. 1992). Under Federal Rule of Civil  
15 Procedure 22, "[p]ersons with claims that may expose a plaintiff to double or multiple  
16 liability may be joined as defendants and required to interplead." Fed. R. Civ. P. 22(a)(1).  
17 The Ninth Circuit has determined that "[i]nterpleader is proper when a stakeholder has at  
18 least a good faith belief that there are conflicting colorable claims." *Michelman*, 685 F.3d at  
19 889. "There are two steps to an interpleader action. The first is determining whether the  
20 requirements of interpleader have been met." *Lincoln National Life Insurance Company v.*  
21 *Ridgway*, 291 F. Supp. 3d, 1254, 1260 (W.D. Wash. 2018) (quoting *Hartford Life Ins. Co. v.*  
22 *Banks*, 2011 WL 3609396 at \*5 (S.D. Cal. 2011)). "The second step is to 'adjudicat[e] the  
23 adverse claims of the defendant claimants.'" *Id.* (quoting *Western Conf. of Teamsters*  
24 *Pension Plan v. Jennings*, 2011 WL 2609858 at \*5 (N.D. Cal. 2011)). Further, it is  
25 important to note that unlike statutory interpleader under 28 U.S.C. § 1335, Rule 22  
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1 interpleader requires an independent source of federal jurisdiction, such as diversity of  
2 citizenship or from a claim arising under federal question jurisdiction. *Gelfgren v. Republic*  
3 *Nat. Life Ins. Co.*, 680 F.2d 79, 81 (9th Cir. 1982) (citing *St. Louis Trust Co. v. Stone*, 570  
4 F.2d 833, 835 (8th Cir. 1978)). “For [Rule 22 interpleader] predicated on diversity  
5 jurisdiction, there must be diversity between the stakeholder on one hand and the claimants  
6 on the other.” *Gelfgren*, 680 F.2d at 81 n.1.  
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9 Once an interpleader action has commenced, the district court may dismiss the  
10 stakeholder from the case and enjoin the claimants from separately suing the stakeholder  
11 over the same policy benefits. 28 U.S.C. § 2361. *See, e.g., N.Y. Life Ins. Co. v. Bostwick*,  
12 2015 WL 4484305, at \*2 (W.D. Wash. 2015). “Discharge [of an interpleader] is normally  
13 granted absent bad faith by the stakeholder.” *Jennings*, 2011 WL 2609858 at \*5. However,  
14 a district court “may delay or deny discharge of the stakeholder if there are ‘serious charges  
15 that the stakeholder commenced the action in bad faith.’” *Ridgway*, 293 F. Supp. 3d at 1260  
16 (quoting *Mendez v. Teachers Ins. & Annuity Assoc.*, 982 F.2d 783, 788 (2nd Cir. 1992)). The  
17 Ninth Circuit has clarified that the “threshold to establish good faith is necessarily low as not  
18 to conflict with interpleader’s pragmatic purpose, which is ‘for the stakeholder to protect  
19 itself against the problems posed by multiple claimants to a single fund.’” *Michelman*, 685  
20 F.3d at 894 (quoting *Mack v. Kuckenmeister*, 619 F.3d 1010, 1024 (9th. Cir. 2010)).  
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#### 25 **b. Interpleader**

26 Federated filed its Motion for Judgment in Interpleader based on 28 U.S.C. § 1332  
27 diversity jurisdiction. Dkt. #28 at 6. Federated is a corporation organized under the laws of  
28 the state of Minnesota, with its principal place of business in that state. Dkt. #6 at 1. Thus,  
29 Federated is a citizen of Minnesota. Further, it is undisputed that defendant Damon Joanis is  
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1 a citizen of Washington state, and that during her lifetime, Elenya Herring was also a citizen  
2 of Washington state. *Id.* at 1-2. Thus, diversity of citizenship exists between the stakeholder  
3 and the claimants. Additionally, the life insurance benefits at issue far exceed \$75,000, thus  
4 satisfying the amount in controversy requirement under § 1332. Accordingly, the Court finds  
5 that it has diversity jurisdiction over the Rule 22 interpleader action.  
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8 In addition, at the time of the filing, Federated argues that it had a “good faith belief”  
9 that it was confronted with competing claims to the policy funds. Dkt. #28 at 7. The Court  
10 agrees. Mr. Joanis was listed by Mr. Herring as the beneficiary under the policy and  
11 submitted a claim seeking the proceeds under the same. Dkt. #28 at 4. Later, Ms. Herring’s  
12 counsel notified Federated that Ms. Herring believed she was entitled to the same proceeds  
13 claimed by Mr. Joanis under a theory of marital property and related Washington authority.  
14 *Id.* In addition, both claimants threatened Federated with a lawsuit to prevent disbursement  
15 of the funds to the other. Thus, the Court finds that Federated had a reasonable concern of  
16 exposure to multiple lawsuits. Accordingly, the Court grants Federated’s request to deposit  
17 the policy proceeds into the Court’s registry.  
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### 21 **c. Discharge of Stakeholder**

22 Federated asks the Court to dismiss the counterclaims against it with prejudice. Dkt.  
23 #28 at 9. In its discretion, a district court may discharge or dismiss a disinterested  
24 stakeholder from an interpleader action. *See Premera Blue Cross v. Winz*, 2017 WL  
25 6451802, at \*2 (W.D. Wash. 2018) (“Once adverse parties are interpleaded to a single fund,  
26 disinterested stakeholders may be dismissed . . . .” (quoting *Bostwick*, 2015 WL 4484305, at  
27 \*2)). However, the Court declines to discharge Federated entirely. Doing so “would extend  
28 the protections of an interpleader action beyond its permissible limits.” *Michelman v.*  
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1 *Lincoln Nat'l Life Ins. Co.*, 2010 WL 3212008, at \*4 (W.D. Wash. 2010), *aff'd*, 685 F.3d  
2 887. The *Michelman* court explained:

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4 The interpleader procedure is designed to relieve insurers of the risks  
5 associated with determining which claimant has a better claim. In order to  
6 retain the efficacy of this procedure, any cause of action that would punish the  
7 insurer for initiating the interpleader instead of choosing between the  
8 claimants should be dismissed. *The Prudential Ins. Co. of Am. v. Hovis*, 553  
9 F.3d 258, 265 (3d Cir. 2009). Similarly, if a cause of action seeks recovery  
10 from the stake—in this case the insurance proceeds—the action should be  
dismissed after the funds are placed in the registry of the Court. *Id.*, 553 F.3d  
at 264 (“Thus, the normal rule is that interpleader protection does not extend  
to counterclaims that are not claims to the interpleaded funds.”).

11 *Id.*

12 Here, Defendants assert counterclaims against Federated that are not predicated on  
13 Federated’s ultimate decision to initiate the interpleader action rather than choosing between  
14 the claimants. Specifically, these counterclaims include violations of the CPA and the IFCA.  
15 These claims are based on Federated’s alleged failure to comply with Washington claims  
16 handling statutes and regulations. *See* Dkts. #19 at 19-20 and #30 at 13-14. On the one  
17 hand, Mr. Joanis alleges that its CPA and IFCA counterclaims are premised on: (1)  
18 Federated’s representation that Mr. Joanis owned the policy and was entitled to its proceeds  
19 in full; and (2) Federated’s delay in issuing a coverage decision before receiving any claim  
20 from Ms. Herring. Dkt. #34 at 13. On the other hand, the Estate alleges that its CPA  
21 counterclaim is premised on Federated’s lack of an investigation into the Herrings’ marital  
22 community as it related to the issuance of the policy. Dkt. #31 at 8. Importantly, these  
23 claims were independently actionable at the time that Federated filed its complaint for  
24 interpleader, and their intent is not to recover from the policy proceeds themselves. Based on  
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1 this, the Court declines to dismiss these counterclaims at this time<sup>1</sup> and consequently, also  
2 declines to discharge Federated from this litigation.

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4 However, Defendants' remaining counterclaims are "of a different kind." *See*  
5 *Michelman*, 2010 WL 3122008, at \*5. Defendants' counterclaims of estoppel, breach of  
6 contract, and violation of duty of good faith are premised on Federated's decision to initiate  
7 the interpleader action rather than choosing between the claimants. In addition, these  
8 remaining counterclaims necessarily extend to the interplead funds themselves. The Court  
9 has already acknowledged that Federated acted reasonably when it refused to disburse the  
10 policy proceeds to either claimant, as it would have risked incurring multiple liabilities. *See*  
11 *Minn. Mut. Life Ins. Co. v. Ensley*, 174 F.3d 977, 981 (9th Cir. 1999) ("In light of Minnesota  
12 Life's good faith belief that it faced the possibility of multiple claims, it did not act  
13 unreasonable in failing to pay out [the interplead defendant's] claim."). Accordingly, the  
14 Court now dismisses Defendants' remaining counterclaims. "To hold otherwise would  
15 vitiate the interpleader procedure." *Michelman*, 2010 WL 3122008, at \*5. The Court will  
16 address Defendants' negligent claims handling counterclaims separately.

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18 Federated argues that Defendants' negligent claims handling counterclaims are  
19 chiefly premised on Federated's failure to choose between the competing claims. Dkt. #37 at  
20 9. The Court agrees. The Estate alleges that Federated's delay in handling the claim resulted  
21 in the "loss of and/or withholding of funds that were rightfully [part of the marital  
22 community]." Dkt. #30, ¶ 3.16. This argument necessarily extends to the policy proceeds at  
23 stake. Similarly, Mr. Joanis alleges that Federated's handling of the claim prevented prompt

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<sup>1</sup> In its Reply memoranda, Dkts. #23, #37 and #42, Federated makes several assertions as to why Defendants' counterclaims should be dismissed with prejudice. If Plaintiff seeks the dismissal of these counterclaims on this or some other basis, it must file an appropriate motion.

1 payment, focusing mainly on the Contestability Review as the primary obstacle. Dkt. #19 at  
2 8-9. Besides the fact this this argument necessarily gets at the interpled funds, it is  
3 undisputed that Federated was within its rights to conduct a Contestability Review given that  
4 Mr. Herring had died within two years of the policy's effective date. *See* Dkt. #6-1 at 10.  
5 Accordingly, the Court now dismisses Defendants' negligent claims handling counterclaims  
6 as recharacterizations of Federated's alleged failure to choose between the claimants.  
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9 **d. Injunction**

10 Federated also requests to be discharged from all further liability in any way related  
11 to the competing claims or the policy. Dkt. #6 at 6. At the outset, it is important to note that  
12 unlike statutory interpleader under 28 U.S.C. § 2361, Rule 22 interpleader does not explicitly  
13 authorize district courts to enjoin parties from pursuing further claims in state or federal court  
14 regarding the interplead funds at issue. *See Pruco Life Ins. Co. v. Tan*, 2020 WL 2574662, at  
15 \*5 (N.D. Cal. 2020). Nevertheless, district courts have used the All Writs Act to "issue all  
16 writs necessary or appropriate in aid of their respective jurisdiction and agreeable to the  
17 usages and principles of law." 28 U.S.C. § 1651(a). Thus, a district court may enjoin  
18 defendants in a Rule 22 interpleader action from bringing future proceedings regarding the  
19 same claim in federal court. *See New York Life Ins. Co. v. Deshotel*, 142 F.3d 873, 879 (5th  
20 Cir. 1998); *Trustees of ILWU-PMA Pension Plan v. Coates*, 2013 WL 556800, at \*7 (N.D.  
21 Cal. 2013). This is because relitigation of those issues "would be judicially wasteful and  
22 raise the possibility of inconsistent results. It would also defeat the purpose of the [plaintiff's]  
23 interpleader action." *Trustees of ILWU-PMA Pension Plan v. Peters*, 660 F. Supp. 2d 1118,  
24 1145 (N.D. Cal. 2009).  
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1 In addition, district courts have held that injunctions issued pursuant to the All Writs  
2 Act may be used to enjoin litigants from relitigating the same issues or claims before state  
3 courts. *Coates*, 2013 WL 556800, at \*7. Further, although the Anti-Injunction Act, 28  
4 U.S.C. § 2283, “limits the ability of federal courts to enjoin state court proceedings,” a carve-  
5 out has been recognized for injunctions that are “necessary in aid of [the court’s] jurisdiction,  
6 or to protect or effectuate its judgment.” *Peters*, 660 F. Supp. 2d at 1144 (citing *Chick Kam*  
7 *Choo v. Exxon Corp.*, 486 U.S. 140, 147 (1988)); see also *Gen. Ry. Signal Co. v. Corcoran*,  
8 921 F.2d 700, 707 (7th Cir. 1991). (“A federal court presiding over an interpleader action  
9 may stay pending state court proceedings involving the same interpled fund under the  
10 ‘necessary in aid of its jurisdiction’ exception to the Anti-Injunction Act.”). This exception  
11 is referred to as the “relitigation exception.”

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16 A party seeking an injunction against relitigation must make a showing of serious and  
17 irreparable harm. *Peters*, 660 F. Supp. 2d at 1145 (citing *Beacon Theaters, Inc. v. Westover*,  
18 359 U.S. 500, 506 (1959)). “This standard is usually met . . . where there is a likelihood of  
19 costly and judicially wasteful relitigation of claims and issues that were already adjudicated  
20 in federal court.” *Id.* (citing *Quintero v. Klaveness Ship Lines*, 914 F.2d 717, 721 (5th Cir.  
21 1990); *Aristud-Gonzalez v. Gov’t Dev. Bank for Puerto Rico*, 501 F.3d 24, 27 (1st Cir. 2007)  
22 (“Injunctive relief incident to an interpleader action is also common – the whole purpose  
23 being to avoid inconsistent results in separate lawsuits.”)).

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26 Here, Federated would suffer serious and irreparable harm if faced with competing  
27 claims to the policy proceeds in a separate court or after the court has adjudicated this action.  
28 As the Court has already acknowledged, Federated is a disinterested party seeking to pay the  
29 proper claimant. Relitigation of the competing claims at issue in a different court would  
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1 defeat the purpose of this interpleader action and result in judicial waste. *See Pruco Life*,  
2 2020 WL 2574662, at \*5 (citing *Peters*, 660 F. Supp. 2d at 1145). Accordingly, the Court  
3 grants Federated's request to be discharged from all further liability related to the competing  
4 claims or the policy and enjoins Defendants from pursuing any other action in state or federal  
5 court regarding the same.  
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#### 7 8 **IV. CONCLUSION**

9 Having reviewed the relevant pleadings and the remainder of the record, the Court  
10 hereby finds and ORDERS that:  
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- 12 1. Federated Life Insurance Company's Motion for Judgment in Interpleader, Dkt. #28,  
13 is GRANTED IN PART and DENIED IN PART.
- 14 2. Pursuant to Federal Rule of Civil Procedure 67 and LCR 67, Federated is  
15 DIRECTED to deposit \$500,000.00, along with appropriate interest, into the  
16 treasury of this Court.
- 17 3. The Clerk is DIRECTED to deposit these funds into the Court Registry. The  
18 funds are to be deposited into the Court Registry investment System as Disputed  
19 Ownership Funds (DOF) interpleader funds under Rule 22.
- 20 4. The Court DISMISSES Defendants' counterclaims of estoppel, breach of contract,  
21 negligent claims handling, and violation of duty of good faith. The Court GRANTS  
22 Federated's request for injunctive relief as it relates to those counterclaims.
- 23 5. The Court DENIES Federated's request for discharge pending the resolution of  
24 Defendant's CPA and IFCA counterclaims.
- 25 6. This case remains OPEN pending its resolution.
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DATED this 20<sup>th</sup> day of August, 2024.



RICARDO S. MARTINEZ  
UNITED STATES DISTRICT JUDGE